Week beginning 7 April 2025

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

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Information contained in this report current as at 4 April 2025

RBA holds rates, seeks confidence in an uncertain world

Luci Ellis
Chief Economist, Westpac Group

As expected, the RBA held the cash rate steady at 4.1% following the first meeting of the newly formed Monetary Policy Board. Uncertainty around the global trade and geopolitical backdrop provided an added reason to hold. The 'liberation day' tariff increases since then point to a more material shock on this front although uncertainty remains elevated.

The tone in global markets and confidence in the US economy both deteriorated noticeably between the RBA's February 17–18 and March 31–April 1 meetings. However, the new Board assessed that policy is well placed to respond to developments "if they were to have material implications for Australian activity and inflation." The Board will no doubt be mindful of the Treasury modelling revealed in last week's Budget papers, suggesting that even a significant tariff war involving other countries imposing retaliatory tariffs on the US would not affect growth and inflation in Australia much.

The Board therefore remains focused on the domestic data flow. This has not shifted enough for the RBA to change its mind about the outlook for inflation just yet. Back-to-back cuts were therefore never on the cards. Indeed, in the media conference the Governor confirmed that a rate cut was not explicitly considered at the meeting and that holding the cash rate steady was the consensus view on the Board.

The post-meeting statement did acknowledge the reality that inflation is now back in the target range, with the final sentence being tweaked to add the word "sustainably" before "return to target". However, it also suggested a relatively high bar for further rate cuts. At the February meeting, the previous downside surprises on inflation relative to forecast gave the previous Board "more confidence that inflation is moving sustainably towards the midpoint" of the 2–3% target. This meeting, though, the language highlighted that since then, inflation had moved in line with the February forecast. It stated that the "Board needs to be confident that this progress will continue so that inflation returns to the midpoint of the target band on a sustainable basis". At the post-meeting media conference, Governor Bullock noted that each quarter disinflation remains on track, the Board gains confidence, but it is not 100% confident.

The post-meeting statement and media conference also acknowledged the considerable risks around both the outlook for consumption growth and the current tightness of the labour market. This, plus other recent communications and internal work released under Freedom of Information, does suggest that the RBA is grappling with the range of views in the market about the outlook. So far, though, this has not shifted its own view much.

One might reasonably ask how confident the Board needs to be when underlying inflation is already in the band, and how much variation from the 2.5% midpoint will be deemed to be consistent with sustainability. One might also reasonably ask whether the appropriate stance of monetary policy in this situation is as restrictive as it is currently, with only the November 2023 'insurance' hike having been reversed.

At the February meeting, the RBA assessed that the market path for rates prevailing at the time would not deliver inflation sustainably at the target midpoint. This time around, the Governor's language was more conciliatory. She stated that the RBA did not "endorse or dispute" the market path and was more open to the idea that it would deliver on the RBA's inflation objective after all. The RBA, she said, was simply "more circumspect" than market participants. She also indicated that the Board would reconsider whether it was still the case that the market path delivered a too-high path for inflation when it updates the forecasts ahead of the meeting on May 19–20.

We continue to think that further rate cuts are coming, with the next most likely in May when the RBA should be able to point to yet another pleasant surprise on inflation. Recall that the RBA's February hawkishness stemmed from its view that trimmed mean inflation would get stuck at 2.7% if the Board followed the then market path and cut 3–4 times this year. If inflation instead looks like settling closer to (or even below) the 2.5% midpoint of the RBA's target range, this will give the RBA more room to reduce the restrictiveness of policy and even approach something like 'neutral'.

One other reason not to move at this meeting was uncertainty around the global trade and geopolitical backdrop. As noted, the RBA was agnostic about whether this would affect Australian growth and inflation materially. Since the meeting, the 'liberation day' tariff increases announced on April 3 point to a more substantive shock on this front although the 'bottom line' effect on Australia is still highly uncertain.

All in all, this week's RBA meeting read as something of a holding pattern. The Governor acknowledged in the media conference that the longer inflation continues to turn out in line with the February forecasts, the more confident the Board will become that inflation will return sustainably to the target midpoint. But the Board isn't "100% confident" and therefore assesses that the prudent approach is to wait for more information. One might reasonably ask whether 100% confidence is the appropriate bar to act when policy is currently restrictive and global uncertainties are likely to stay high. We suspect it was not meant to be taken literally. Either way, we look forward to hearing more from the Governor at next week's speech on April 10..

Cliff Notes: tariff trauma

Elliot Clarke, Head of International Economics
Ryan Wells, Economist
Illiana Jain, Economist

Starting in Australia, it was unsurprising to see the RBA Monetary Policy Board leave the cash rate unchanged at 4.10%. The decision statement was little changed from February given the relatively quiet and well behaved data flow. In the subsequent press conference, Governor Bullock once again noted that the Board still does not "endorse" the market path for future cash rate reductions.

Post-meeting communications were centred on the considerable two-sided risks at hand. On consumption, the Board notes "there is a risk that any pick-up... is slower than expected" which softer growth in retail sales in February gives credence to – our take on the broader household spending indicator will be released later today on Westpac IQ. However, the Board also stated that "labour market outcomes may prove stronger than expected", a risk highlighted by the latest job vacancies data which shows that the labour market remains relatively tight. "Uncertainty about the outlook abroad" was certainly seen in the latest trade data, even though it pre-dates this week's developments.

Given the highly uncertain backdrop and competing risks, the Board will remain focused on actual inflation outcomes. Our Q1 CPI preview provides more detail behind our forecast for trimmed mean inflation to move back into the target band on an annual basis (2.8%), and below the mid-point on a six-month annualised basis (2.3%). If inflation prints as we expect, we are confident that the RBA Board will deliver another 25bp rate cut in May.

Before moving offshore, a final note on housing. The post rate cut bounce in dwelling prices looks to have extended into March, up 0.4% following a 0.3% gain in February. While we still expect momentum to remain positive this year, we doubt there is much scope for the current pace to strengthen further. Longer-term prospects depend critically on the outlook for supply; the latest data dwelling approvals is mildly constructive on this front, having risen 26% over the past year, though this is still well short of the required pace to reach the Housing Accord target.

Offshore, the focus remained on US tariffs all week. On April 2, "Liberation Day", US President Donald Trump announced the immediate implementation of reciprocal tariffs. While Trump described these rates as being based on the US' country-by-country estimates of monetary and non-monetary barriers US firms face in other countries, economists were quick to calculate the tariffs are half of each nation's goods trade surplus with the US divided by total goods imports to the US. For China and Taiwan, it will be 34% and 32%; for India 26%; for Europe 20%; and for the UK, Australia and New Zealand, 10% – the lowest possible rate, regardless of if a country imposes any barriers to US firms or not.

While of limited significance for global growth, small developing markets will be particularly hard hit; Cambodia as an example faces a 49% tariff rate. It is expected that these tariffs will boost revenues and entice manufacturing investment in the US, but the cost of doing so and immense uncertainty over the policy outlook is likely to hold many firms back.

In response to these tariffs, ECB member Nagel said the ECB needs to "reassess" the current situation, with "the US administration's decision to impose tariffs endanger[ing] global economic stability." The European Commission President von der Leyen noted that that the EU is "prepared to respond" to US tariffs, "already finalising a first package of countermeasures in response to tariffs on steel...[and] now preparing for further countermeasures". China is also likely to respond swiftly – the response and counter-response by the US likely to prove a key theme next week.

We remain of the view that the US is most at risk from its own measures. Early signs of weakness in their economy can already be seen. The ISM manufacturing PMI index dropped 1.3pt to 49.0. The detail of the survey highlighted a rapid adjustment to demand, the new orders index falling 3.4pt to 45.2, the lowest level in almost two years, almost 10pts below January's level. Companies also reported declining production volumes, falling headcount and rising inventories.

On the services side, the headline index declined from 53.5 to 50.8 in March. Business activity edged higher in the month, from 54.4 to 55.9; but new orders declined, from 52.2 to 50.4, and the backlog of orders were worked through aggressively, this index declining from 51.7 to 47.4. The decline in the employment index was most notable however, from 53.9 to 46.2. At face value, this result and that of the manufacturing sector points to outright declines in employment in coming months.

Tonight, the March employment report will be closely scrutinised. To date, it has been sentiment that has held back spending. If the labour market deteriorates, the US could find itself struggling through a persistent period of contraction, bearing in mind that the Atlanta Federal Reserve's nowcast of GDP suggests activity declined 2.8% annualised in Q1, albeit largely as a result of a pull-forward of imports to get ahead of the impending tariffs.

Ending on a positive note, China and Asia have considerable capacity to offset the negative consequences of US trade policy in the short term through stimulus and by enticing private investment related to the region's ongoing economic development. Into the medium-term, continued growth in the region's population, industry and household incomes will deepen exposed nations' export markets, reducing the significance of the US market to the world. Australia is well positioned to benefit from this growth and economic development.

US tariffs unhelpful, but manageable

Kelly Eckhold
NZ Chief Economist

The key influence on domestic markets over the past week was President Trump's announcement of the details of his "reciprocal tariffs" on imports into the US. The scope of these tariffs was broader, and individual country tariffs were in some cases far more punitive, than many expected. Specifically, the President announced a minimum additional 10% tariff on goods imports from all US trading partners, and higher tariffs for countries viewed as having large barriers to US exports. NZ exports are subject to a 10% tariff.

The direct impact of tariffs seems manageable

The direct impact of the NZ tariffs is likely to be manageable for most exporters, albeit clearly not helpful. NZ's goods exports to the US totalled around $NZ9bn in 2024, so the 10% additional tariff rate equates to a loss of export revenue of around NZD900m p.a. (0.2% of GDP). This is a fraction of the lift in export revenue that has been generated by the recent rally in dairy commodity prices. That said, the impact will not be spread evenly across industries. NZ's largest exposure is in the meat industry (especially beef), with exports to the US totalling $NZ2.6bn in 2024 – 30% of all meat exports. The wine industry is also exposed, with 35% of exports destined for the US.

Importantly, exporters have ways of mitigating that impact. There will be some scope to increase prices to US customers, or to utilise transfer pricing arrangements with US-based subsidiaries. The NZ dollar is also likely to buffer the impact. Historical experiences vary, but perhaps half of the ultimate additional impost may be offset by exchange rate depreciation. The strengthening of the NZ dollar since the announcement was neither expected nor helpful in this regard.

The patterns of global trade will likely to be reshaped by the new environment. NZ exporters may divert some goods to non-US markets where demand is stronger (because imports from the US are curtailed) or where the tariff on the US makes focusing on different markets make better sense. The tariff impost might be reduced by other trade agreements in place.

Indirect impacts are likely to be greater

The indirect economic impacts stemming from these new tariffs will be more significant. Global demand and commodity prices weaker are likely to be weaker. Business uncertainty will likely increase and weigh on investment spending. These impacts if countries retaliate against US tariffs (as might be likely). The RBNZ noted in its February Monetary Policy Statement (MPS) that significant US tariffs, accompanied by retaliation, could lower trading partner growth and so demand by as much as 1%. However, the impacts are hard to quantify within any precision at this stage.

This likely translates to weaker NZ export returns – even though NZ's primary sector prices might be less impacted than industrial commodity prices. There has been a range of experiences in periods of historical global economic weakness. In the Global Financial Crisis (GFC), NZ's terms of trade fell in lockstep with weaker global growth. However, in other episodes, they have been less impacted. On average it appears that NZ's terms of trade falls by about 40-60% of the decline in global industrial production. That elasticity would imply a meaningful but not debilitating retracement of the gains in the terms of trade seen in the last year or so.

Importantly, many of NZ's key trading partners have been subjected to much larger tariffs than us. Of note is the very large 54% tariff now imposed on China, although many of our key Southeast Asian trading partners have also been hit with substantial tariffs. Such large tariffs will have a meaningful negative impact on these economies. Some countries will respond with some combination of easier fiscal and/or monetary policy. However, the scope for monetary easing will be limited in those countries that impose retaliatory tariffs, as they – like the US – will face at least a short-term positive inflation shock due to the impact of their own tariffs on domestic prices.

As noted earlier, in many countries will likely see depreciation pressure versus the US dollar. For NZ we can't rule out the possibility that the NZD/USD eventually falls well below our current forecast of 0.56. However, with many of NZ's key trading partners facing higher tariffs than us, the NZ dollar could fare better on some crosses (e.g., against some Asian currencies who may move to devalue their exchange rates significantly).

What to watch in coming weeks

Attention will now turn to how impacted countries respond. Those that choose to retaliate could find themselves in a tit-for-tat fight with the US that leads to even greater tariffs than those already announced. Those that seek to offer concessions may see tariffs reduced over time (especially in countries facing very high tariff rates).

It will be important to watch key financial and economic indicators. The behaviour of commodity prices and the exchange rate will be critical and will also be a factor in determining the ultimate impact on global inflation and growth. Stock markets, bond rates and credit spreads will also bear monitoring in case these cause a sustained meaningful tightening in financial conditions tighten that feeds back into the economic outlook.

For the RBNZ's part, they will likely see this as a reason to continue to cut the OCR and retain an easing bias. We don't think this means they will step up to a 50bp cut – the 25bp cut will likely remain the preferred option. Global developments will continue to be a key risk factor that will drive their actions over the balance of the year. But global weakness will need to translate into domestic weakness and downside inflation risks to significantly impact on the outlook for interest rates in NZ. This shock is coming at a time where the external sector is at a high ebb and a significant amount of policy stimulus is already in the pipeline.

Further 25bp cut in the OCR likely next week

This brings us to next week's key domestic event – the RBNZ's OCR Review. We expect the RBNZ to act on past signalling and cut the OCR by 25bp to 3.5%. In summary, the key domestic data releases since the February MPS are as follows:

- **GDP**: Activity grew 0.7%q/q in Q4, above the RBNZ's estimate of 0.3%q/q. Private consumption spending was weaker than the RBNZ had estimated, but business capex and exports were stronger. The RBNZ will likely now assess the negative output gap to be narrower than the 1.7% of GDP that had been estimated for Q4.
- **Inflation**: We estimate that the CPI (released 17 April) will increase 0.8%q/q in Q1, in line with the RBNZ's forecast. However, the pricing intentions gauge in the ANZ's business survey has increased in recent months and sits at levels usually consistent with inflation above the target range. Firms may also be optimistic that they can rebuild margins once the economy strengthens.
- **Employment**: Based on filled jobs data to hand, we estimate that household employment will likely print broadly flat in Q1, in line with the RBNZ's forecast. Given growth in the working age population, we expect that the unemployment rate will rise to 5.3%, just above the RBNZ's forecast of 5.2%. At this stage job advertising levels are yet to show a discernible lift.
- **Confidence**: Consumer confidence has slipped a little but remains well above the cycle low. This fall may reflect uncertainty associated with the global outlook as well as lingering concerns about job security. Ahead of the release of the QSBO on 8 April, the ANZ's measure of business confidence has remained very high, with firms also upbeat about the year-ahead outlook for their own activity.
- **Other activity indicators**: The BusinessNZ manufacturing PMI posted a welcome lift to 53.9 in February, but the services PMI fell back to 49.1 after rising above 50 in January for the first time in 12 months. Overall, most activity indicators confirm an improving underlying trend in activity – albeit with considerable month-to-month volatility.
- **Housing market**: Both house sales and mortgage approvals point to increasing levels of housing activity, trending higher as mortgage rates have been lowered. House prices have increased only slightly as there remains a considerable stock of inventory on the market for demand to work through. The RBNZ will probably regard housing developments as tracking close to what was envisaged.
- Overall, the RBNZ will likely conclude that the economy was stronger than expected in late 2024 and that the recent data flow suggest growth has continued into the new year. The statement accompanying the decision will likely give the impression that another cut at the May Monetary Policy Statement remains likely – especially given the recent tariff news.
- In our OCR preview note, I indicated that a pause in the easing cycle would be more appropriate at next week's meeting. This reflected the stronger domestic data flow in recent months that shows both an improving economy and a robust inflation outlook. Given the MPCs mandate is solely focused on inflation, it's getting harder to make the case for cutting rates at *every* meeting unless something significant is going on that gives confidence that inflation will ultimately return to 2%. Compounding the concern is that there is already a lot of easing in the pipeline. Focusing on any neutral OCR estimate is also fraught given we can't measure or forecast the neutral OCR in real time. All we really know is we are getting into the "neutral zone". Mortgage rates are likely stimulatory given current elevated competition pressures.
- A few days is a long time in economics right now! The downside risks from the external outlook clearly look more tangible. But I don't think a proactive approach to offset those risks is appropriate given the starting point for the external sector is one of good health, meaning the sector is as well placed to deal with this shock as it could be. At this stage we have no idea if this week's developments will meaningfully undermine the NZ economy. The RBNZ should proceed carefully from here and be prepared to step back and assess the impact of what's already been done if the pass through of global developments to the NZ recovery becomes tangible and significant.

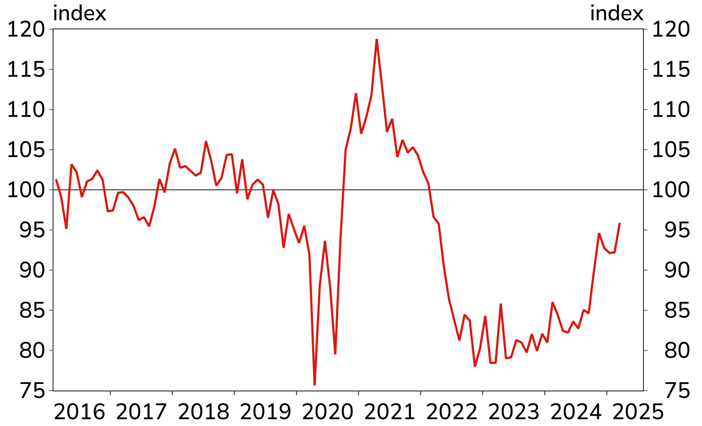
AUS: Apr Westpac-MI Consumer Sentiment (index)

Apr 8, Last: 95.9

Consumer sentiment posted a solid 4% rise in March, lifting to 95.9, a 3yr high. The RBA's decision to cut interest rates in February and a further easing in cost-of-living pressures provided a clear lift, with a notable rise in confidence around the labour market outlook. The lift came despite a more unsettle backdrop abroad.

The April survey is in the field over the week ended Apr 5. It will capture reactions to the 'liberation day' tariff increases announced in the US, and associated financial market turmoil. Locally, the RBA decision to leave rates on hold on Apr 1 and last week's Federal budget may also have a bearing on sentiment.

Consumer Sentiment Index



Source: Melbourne Institute of Applied Economic & Social Research, Macrobond, Westpac Economics

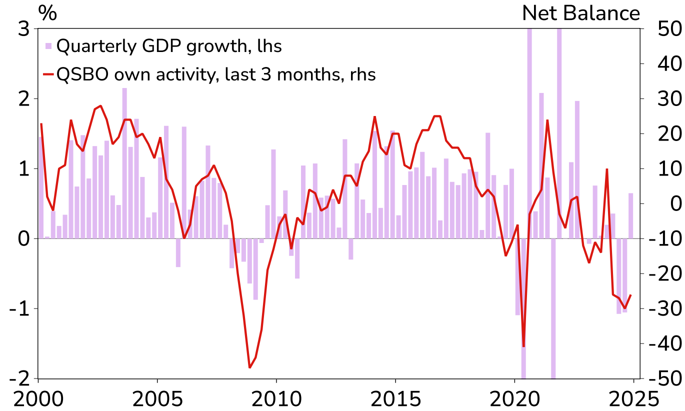
NZ: Q1 NZIER Survey of Business Opinion

Apr 8, General Business Confidence – Last: +9.3

The December QSBO showed that firms were hopeful about their prospects for the coming months, although the backward-looking measures remained weak. The latter tends to be the better guide to quarterly GDP growth, though not so much recently (in our view there is some spurious seasonality in the GDP figures).

The inflation gauges in the survey will be of keen interest; these proved instrumental in prompting the RBNZ to bring OCR cuts forward last year. More firms reported price increases in the Q4 survey, though this measure remained at benign levels.

QSBO past activity vs GDP growth



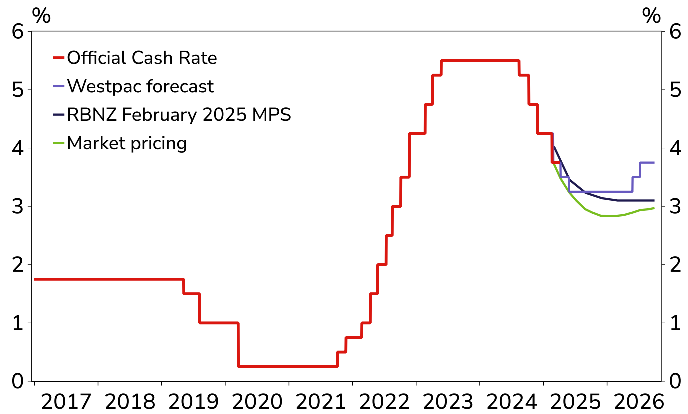
Source: NZIER, Stats NZ, Macrobond, Westpac Economics

NZ: RBNZ Official Cash Rate Review

Apr 9, Last: 3.75%, Westpac f/c: 3.50%, Market: 3.50%

We expect the RBNZ will cut the OCR 25bp at its April meeting, taking it to 3.50% in line with the RBNZs clearly signalled intentions in February. Since that time, inflation has tracked close to expectations, while GDP growth has been a little firmer than expected. However, we've also seen a significant increase in uncertainty about global economic conditions as the US has rolled out its plans for large increases in tariffs. The RBNZ will retain an easing bias, reflecting global uncertainties and the perception the OCR is above the neutral rate. However, we will be watching for signs of greater data dependency around future moves compared to the forward guidance in recent meetings. "No change" in the OCR will return to the set of plausible options for future meetings at some point.

RBNZ expected to cut another 25bps



Source: RBNZ, Macrobond, Westpac Economics

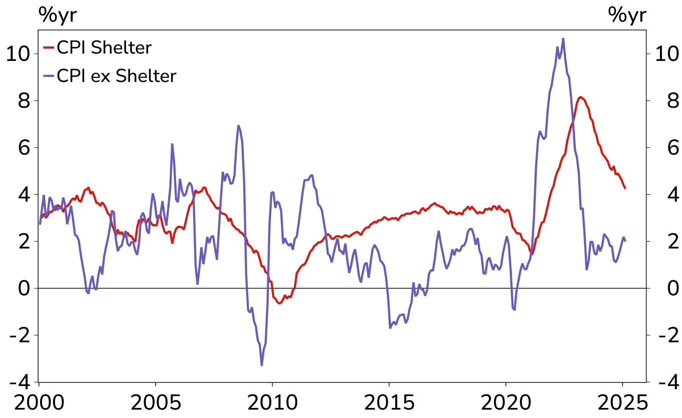
US: March CPI (%mth)

Apr 10, Headline, Last: 0.2%, WBC f/c: 0.1%, Mkt f/c: 0.1%

The headline outcome in March will likely prove constructive for the 'return to target' trend, the CPI forecast to print at 0.1% and 2.6%yr. However, this is partly as a result of recent weakness in the price of oil, with core prices (ex food and energy) forecast to rise 0.3% and 3.0%yr in March; and more significantly, the impact of US' tariffs yet to be seen.

In April and May, we will begin to get a sense as to how able and how quickly firms will be able to pass through increases in wholesale prices to retail prices. Given the recent deterioration in consumer appetite, this may prove a more lengthy process than first thought. It is also worth highlighting that the US' capacity constraints continue to hold up inflation, and likely will through 2026. The FOMC's task will prove very difficult.

Tariffs to shock mid-year; capacity a looming concern



Source: BLS, Macrobond, Westpac Economics

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 07							
Aus	Mar	ANZ–Indeed Job Ads	%mth	–1.4	–	–	Broadly unchanged past six months, akin to ABS measure.
Chn	Mar	Foreign Reserves	US$bn	3227	–	–	Recent currency volatility may affect reserves.
Eur	Apr	Sentix Investor Confidence	index	–2.9	–	–	Recent uptrend unlikely to be sustained amid trade woes.
	Feb	Retail Sales	%mth	–0.3	–	–	Consumption–led recovery yet to take shape.
Tue 08							
Aus	Apr	Westpac–MI Consumer Sentiment	index	95.9	–	–	Will capture consumer reaction to the US tariffs.
	Mar	NAB Business Survey	index	4	–	–	Conditions moving lower; confidence around neutral.
NZ	Q1	NZIER Survey of Business Opinion	index	9.3	–	–	Looking for signs of a lift in activity.
Jpn	Feb	Current Account Balance	¥bn	–258	–	–	Set to rebound after its first deficit since January 2023.
US	Feb	Consumer Credit	US$bn	18.1	15.0	–	Uncertainty dampening consumer debt uptake.
	Mar	NFIB Small Business Optimism	index	100.7	–	–	Pessimism grows driven by concerns over rising costs.
Wed 09							
NZ		RBNZ Policy Decision	%	3.75	3.50	3.50	A cut has been well signalled, global risks a key focus.
Chn	Mar	M2 Money Supply	%yr	7.0	7.1	–	Broadly stable money supply growth...
	Mar	New Loans YTD	CNYbn	6139	9139	–	... data due 9–15 April.
Thu 10							
Aus	Apr	MI Inflation Expectations	%yr	3.6	–	–	Looking for signs of tariff concerns among Australians.
		RBA Governor Speech	–	–	–	–	Governor Bullock speaks in Melbourne, 8:00pm AEST.
NZ	–	CPI Reweight	–	–	–	–	Updates to the composition of the CPI.
Chn	Mar	PPI	%yr	–2.2	–2.3	–	Poised for a 28th consecutive annual decline...
	Mar	CPI	%yr	–0.7	0	–	...though consumer price inflation expected to rise.
US	Mar	CPI	%mth	0.2	0.1	0.1	Headline rate to ease, partly due to lower energy inflation.
		FOMC Meeting Minutes	–	–	–	–	Examining of the FOMC's growth and labour market outlook.
		Initial Jobless Claims	000s	219	–	–	Timely indicator of labour market conditions.
		Fedspeak	–	–	–	–	Fed's Barkin Speaks to Economic Club of Washington DC
Fri 11							
NZ	Mar	Manufacturing PMI	index	53.9	–	–	Back above 50 so far this year, will it hold?
UK	Feb	Monthly GDP	%mth	–0.1	–	–	Economic activity should start to pick up after January dip.
	Feb	Trade Balance	£bn	–0.6	–	–	UK trade flows ahead of the US tariff increases.
	Mar	PPI	%mth	0.0	0.2	–	Headline and core measures expected to print higher.
US	Apr	Uni. Of Michigan Sentiment	index	57.0	55.0	–	Expected to fall to the lowest level in nearly three years.
	Mar	Monthly Budget Statement	$bn	–23	–	–	Continue to show sizeable monthly deficits.
		Fedspeak	–	–	–	–	Fed's Goolsbee Speaks at Economic Club of NY

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (4 Apr)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
Cash	4.10	3.85	3.60	3.35	3.35	3.35	3.35	3.35	3.35	3.35
90 Day BBSW	4.11	3.90	3.70	3.45	3.50	3.50	3.55	3.55	3.55	3.55
3 Year Swap	3.38	3.75	3.80	3.80	3.85	3.90	3.95	4.00	4.00	4.00
3 Year Bond	3.43	3.85	3.90	3.90	3.90	3.95	4.00	4.05	4.00	4.00
10 Year Bond	4.22	4.65	4.70	4.75	4.80	4.80	4.80	4.80	4.90	4.90
10 Year Spread to US (bps)	25	15	10	5	0	0	0	0	0	0
United States										
Fed Funds	4.375	4.375	4.125	3.875	3.875	3.875	3.875	3.875	3.875	3.875
US 10 Year Bond	3.97	4.50	4.60	4.70	4.80	4.80	4.80	4.80	4.90	4.90
New Zealand										
Cash	3.75	3.25	3.25	3.25	3.25	3.50	3.75	3.75	3.75	3.75
90 Day Bill	3.54	3.35	3.35	3.35	3.45	3.70	3.85	3.85	3.85	3.85
2 Year Swap	3.20	3.50	3.65	3.80	3.90	3.95	4.00	4.00	4.00	4.00
10 Year Bond	4.38	4.70	4.85	4.90	5.00	5.00	5.00	4.95	4.95	4.95
10 Year Spread to US (bps)	41	20	25	10	20	20	20	15	5	5

Exchange rate forecasts

	Latest (4 Apr)	Jun–25	Sep–25	Dec–25	Mar–26	Jun–26	Sep–26	Dec–26	Mar–27	Jun–27
AUD/USD	0.6245	0.62	0.64	0.65	0.66	0.67	0.68	0.69	0.70	0.71
NZD/USD	0.5791	0.56	0.56	0.57	0.57	0.58	0.59	0.60	0.61	0.62
USD/JPY	145.64	147	143	140	138	137	136	135	134	133
EUR/USD	1.1087	1.06	1.08	1.09	1.10	1.11	1.12	1.13	1.13	1.14
GBP/USD	1.3101	1.27	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.35
USD/CNY	7.2818	7.25	7.25	7.20	7.20	7.15	7.10	7.00	6.90	6.80
AUD/NZD	1.0912	1.12	1.14	1.15	1.15	1.15	1.15	1.15	1.15	1.15

Australian economic growth forecasts

	2024		2025				2026		Calendar years			
% Change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2023**	**2024**	**2025f**	**2026f**
GDP %qtr	0.3	0.6	0.5	0.6	0.6	0.5	0.5	0.5	–	–	–	–
%yr end	0.8	1.3	1.6	2.0	2.3	2.2	2.2	2.2	1.5	1.3	2.2	2.2
Unemployment rate %	4.1	4.0	4.1	4.2	4.4	4.5	4.5	4.5	3.9	4.0	4.5	4.5
Wages (WPI) %qtr	0.9	0.7	0.8	0.7	0.7	0.7	0.8	0.8	–	–	–	–
%yr end	3.6	3.2	3.2	3.0	2.9	2.9	3.0	3.0	4.2	3.2	2.9	3.2
CPI Headline %qtr	0.2	0.2	0.7	0.7	0.9	0.7	0.8	0.8	–	–	–	–
%yr end	2.8	2.4	2.2	1.9	2.6	3.1	3.2	3.3	4.1	2.4	3.1	2.7
CPI Trimmed Mean %qtr	0.8	0.5	0.6	0.6	0.7	0.7	0.6	0.6	–	–	–	–
%yr end	3.6	3.2	2.8	2.6	2.5	2.6	2.6	2.6	4.2	3.2	2.6	2.4

New Zealand economic growth forecasts

	2024		2025				2026		Calendar years			
% Change	**Q3**	**Q4**	**Q1f**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**2023**	**2024**	**2025f**	**2026f**
GDP %qtr	–1.1	0.7	0.4	0.4	0.8	1.0	0.8	0.7	–	–	–	–
Annual avg change	0.1	–0.5	–1.1	–0.9	0.1	1.0	2.1	2.8	1.8	–0.5	1.0	3.2
Unemployment rate %	4.8	5.1	5.3	5.4	5.4	5.3	5.2	5.0	4.0	5.1	5.3	4.6
CPI %qtr	0.6	0.5	0.8	0.2	0.8	0.7	0.5	0.3	–	–	–	–
Annual change	2.2	2.2	2.4	2.2	2.4	2.6	2.2	2.3	4.7	2.2	2.6	2.0

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